

STUDY ON PROPERTY TAX BURDEN INEQUITIES

This study on tax burden inequities was prepared in response to the request of the Assembly Revenue and Taxation Committee for its September 1980 hearings in San Diego. Table A below shows the base year breakdown of single family residences in Los Angeles County. It shows that properties with 1979 or 1980 Base Years contribute a far larger share of value to the 1980 Roll than their percentage in the overall single-family residential inventory. In fact, 1980 transfers pay almost twice as much in taxes as their relative representation (19.6% of total roll value contributed by 10.3% of all SFR properties). They also pay, on the average, almost three times what a typical 1975 Base Year property pays, based on the average 1980 Roll values for each Base Year (\$33,900 vs. \$92,600).

The three graphs which follow the table, Figures 1, 2 and 3, demonstrate the same information for a small group of residences, 20 homes in a City of Lakewood residential tract. These graphs follow those 20 homes from the year 1975 through 1980 and show their tax relationships to each other. Due to their reappraisal, the properties which have transferred lately pay a higher proportion of taxes than their 1975 base year neighbors. In total dollars, their taxes are approaching 1977 -- their highest year of taxes paid prior to the passage of Proposition 13.

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TABLE A

LOS ANGELES COUNTY SINGLE FAMILY RESIDENTIAL

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DISTRIBUTION BY BASE YEAR

| <u>Base Year</u> | <u>No. of SFR</u> | <u>% SFR Per Base Year</u> | <u>Total 1980 Roll Value</u> | <u>Average 1980 Roll Value</u> | <u>% of Total Roll</u> |
|------------------|-------------------|----------------------------|------------------------------|--------------------------------|------------------------|
| 75 | 964,811 | 63.1% | 32,748,449,792 | 33,900 | 44.3% |
| 76 | 66,392 | 4.3% | 3,191,315,968 | 48,100 | 4.3% |
| 77 | 87,436 | 5.7% | 4,977,246,208 | 56,900 | 6.7% |
| 78 | 110,572 | 7.2% | 7,537,238,016 | 68,200 | 10.2% |
| 79 | 143,962 | 9.4% | 10,998,374,400 | 76,400 | 14.9% |
| 80 | 156,860 | 10.3% | 14,522,843,136 | 92,600 | 19.6% |
| | <u>1,530,033</u> | <u>100.0%</u> | <u>73,975,467,520</u> | | <u>100.0%</u> |

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For the purposes of this study a sample of twenty SFR properties was selected from a typical tract neighborhood in the City of Lakewood. The sample is an homogeneous group of houses, all of which were built in 1950, with areas which range from 900 to 1200 square feet. They were selected and arrayed so that their Base Years proportionately reflect the percentages indicated in Table A.

The tax history from 1975-1980 of each property is illustrated in the following three graphs. The graphs support what is indicated in Table A; namely, that properties which have transferred since the passage of Proposition 13 are bearing a far larger percentage of the total tax burden as compared to properties which have not transferred. As residential property continues to transfer, the shift in tax burden from 1975 Base Year properties to properties transferred since 1975 increases.

Comparison of taxes for Roll Years 1975, 1977 and 1980 (Figure 1) compares the tax dollars paid for each house for Roll Years 1975, 1977 and 1980. The 1975 and 1977 taxes for all properties indicate a similar level of taxes paid for each house. After the passage of Proposition 13, this leveling effect is diminished, as can be seen by comparing the 1980 taxes paid for each property. For 1980 taxes, Properties #1 - #13 have not transferred since 1975. Consequently, their tax bills are still similar. However, transferred properties, beginning with Property #14, indicate a steady increase in taxes for each successive base year up to a 1980 Base Year.

The relative tax burden for the Roll Years 1975, 1977 and 1980 (Figure 2) compares the relative percentages of the total taxes paid by all properties for the years 1975, 1977 and 1980. Similar percentages were paid during 1975 and 1977 for all 20 properties. A shift in tax burden for the 1980 taxes is indicated for those properties (#14 - #20) which have transferred. Property #19, for example, was bearing 5% of the total tax burden in 1975; in 1980, however, its burden has nearly doubled to 9.4%.

The historic tax profile for Roll Years 1975 through 1980 (Figure 3) graphs the tax dollars paid by each property for the years 1975 through 1980. The non-transferred properties show the close grouping of the lower parallel lines. The transferred properties are climbing to new plateaus depending on their year of transfer.

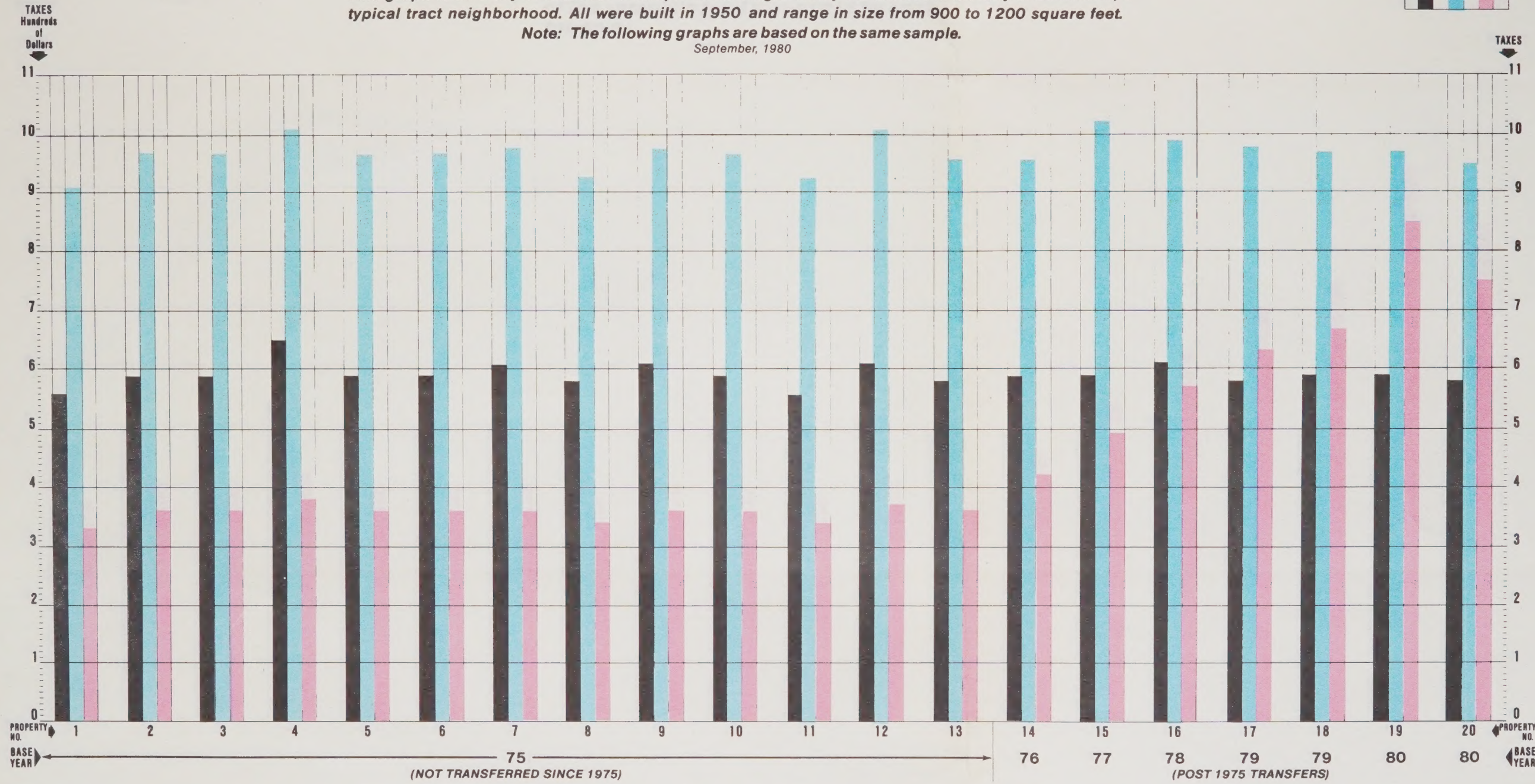
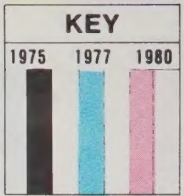
Figure 1

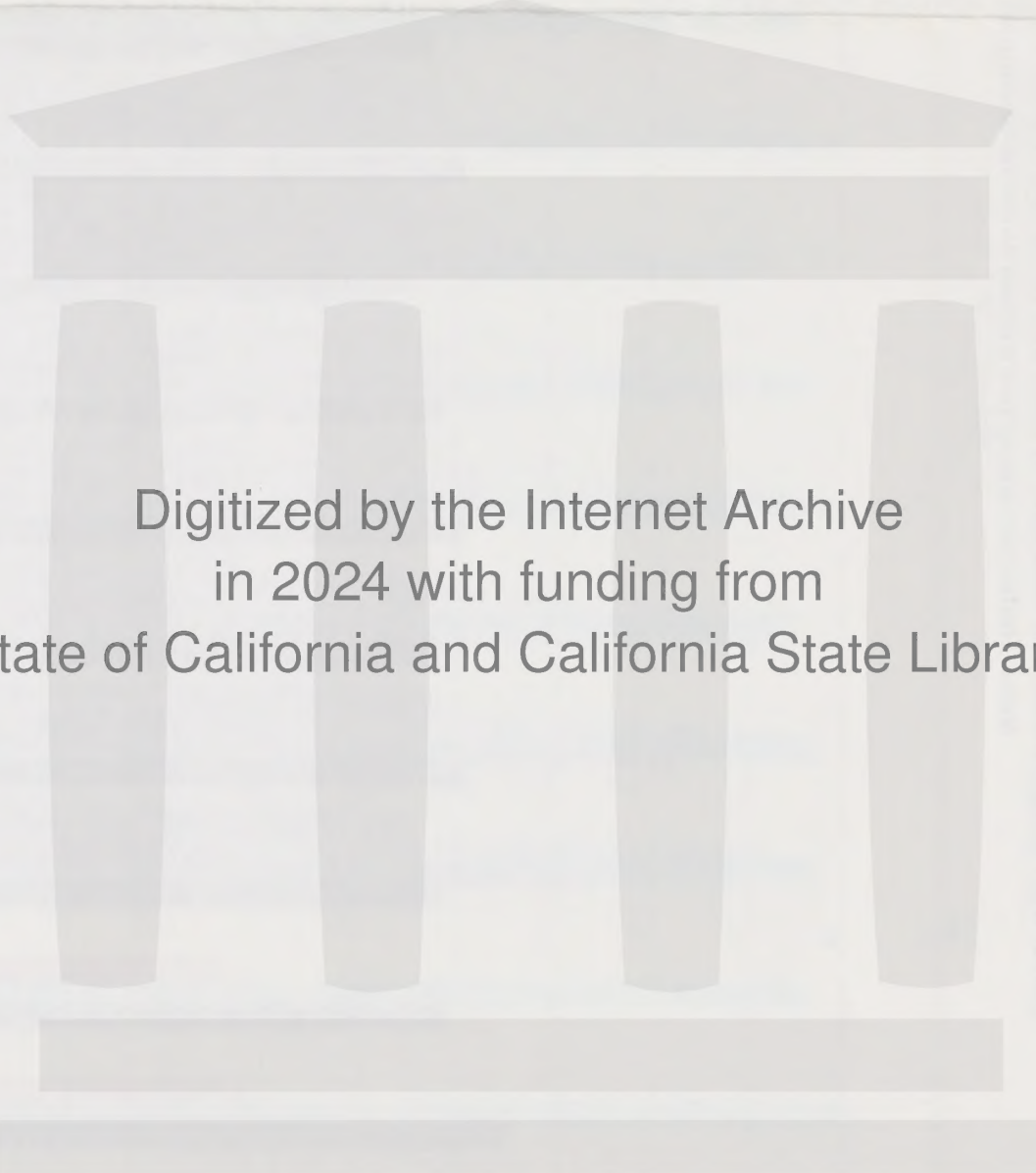
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COMPARISON OF TAXES FOR ROLL YEARS 1975, 1977 AND 1980

This graph is an array of taxes for a sample of 20 single-family residences in the City of Lakewood, a typical tract neighborhood. All were built in 1950 and range in size from 900 to 1200 square feet.

*Note: The following graphs are based on the same sample.
September, 1980*





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Figure 2

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RELATIVE TAX BURDEN FOR ROLL YEARS 1975, 1977 AND 1980

This graph illustrates the percentages of the sample's total taxes paid by each property.

September, 1980

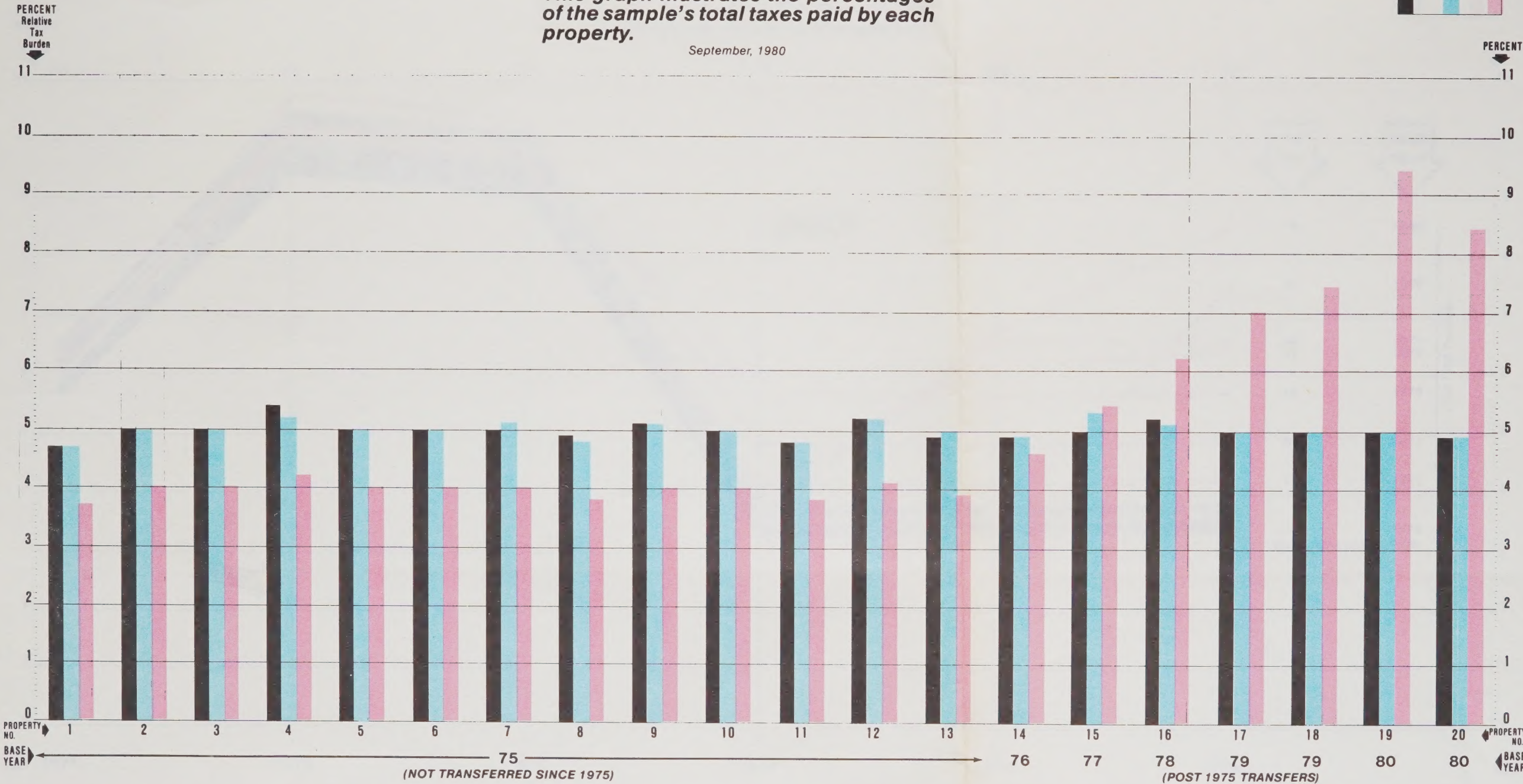
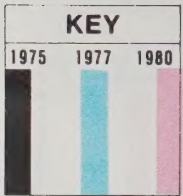
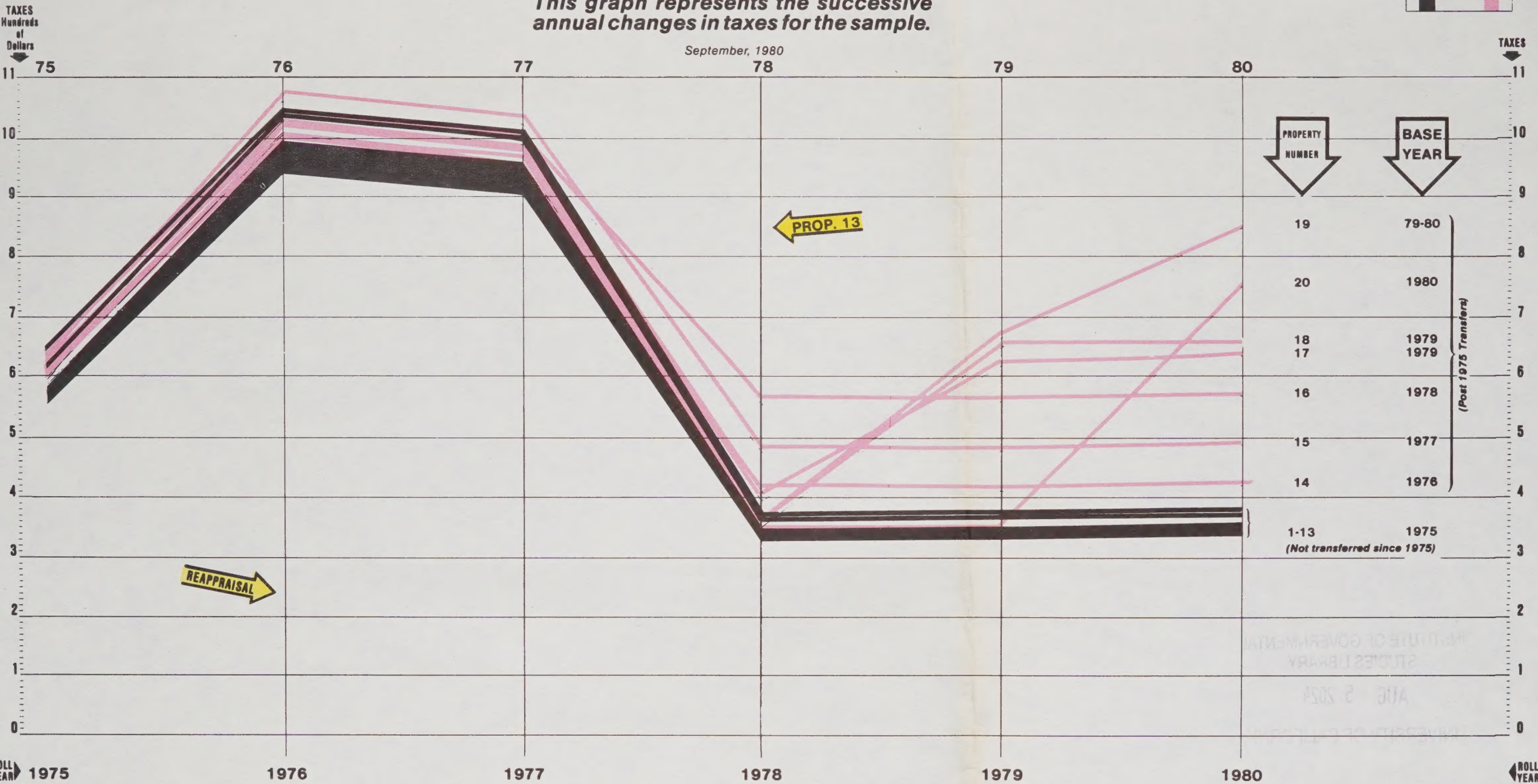


Figure 3

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HISTORIC TAX PROFILE FOR ROLL YEARS 1975 THROUGH 1980

This graph represents the successive annual changes in taxes for the sample.



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